

Message Text

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ACTION NEA-10

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E.O. 11652: N/A

TAGS: ENRG, IZ

SUBJ: IRAQI OIL MINISTRY ISSUES OIL PRICE STATEMENT IN PREPARATION
FOR OPEC MEETING BALI

1. ENGLISH LANGUAGE NEWSPAPER BAGHDAD OBSERVER CARRIED MAY 21
FOLLOWING TEXT OF PRESS STATEMENT ISSUED BY OIL MINISTRY MAY 20.

2. QUOTE: THE QUESTION OF RAISING THE PRICES OF THE CRUDE OIL
OF THE MEMBER STATES OF OPEC FOR THE PERIOD BEGINNING JUNE 1,
1976 IS TO BE DISCUSSED AT THE FORTHCOMING MEETING OF OPEC DUE TO
OPEN ON THE INDONESIAN ISLAND OF BALI ON MAY 27, 1976. A CRUDE OIL
PRICE FREEZE WAS INTRODUCED BY OPEC FOR THE PERIOD FROM THE
BEGINNING OF 1974 TO THE END OF SEPTEMBER 1975. AN INCREASE OF
10 PERCENT ON CRUDE OIL PRICES CAME INTO FORCE ON OCTOBER 1,
1975 AND WILL CONTINUE TO THE END OF THIS MONTH. THIS MEANS THAT
OIL PRICES ROSE BY ONLY 10 PERCENT OVER THE PAST TWO AND HALF
YEARS WHILE THE PRICES OF IMPORTS BY OPEC MEMBER STATES ROSE BY
MORE THAN 100 PERCENT. THIS SHOWS THAT THE INDUSTRIAL COUNTRIES
ARE COMPENSATING THEMSELVES BY RAISING THE PRICES OF THEIR
EXPORTS IN A MANNER UNPRECEDENTED IN MODERN HISTORY WHEREAS
THE VALUE OF CRUDE OIL REMAINED RELATIVELY STATIC, SOMETHING
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WHICH GREATLY UNDERLINED THE PURCHASING POWER OF THE CRUDE

OIL ROYALTIES. IN THE PAST,MANY JUSTIFICATIONS WERE OFFERED FOR OBSERVING CIRCUMSPECTION IN REGARD TO RAISING THE PRICES OF CRUDE OIL. CHIEF AMONG THOSE JUSTIFICATIONS WAS THE FACT THAT THE WESTERN WORLD WAS IN THE GRIPS OF AN ACUTE ECONOMIC CRISIS. IN SUCH CIRCUMSTANCES, ANY INCREASE IN OIL PRICES MIGHT WELL LEAD TO THE AGGRAVATION OF THE CRISIS IN A MANNER HARMFUL TO THE INTEREST OF ALL PARTIES CONCERNED. IT IS NOTEWORTHY IN THIS RESPECT THAT THE INDUSTRIAL POWERS, THE CONSUMERS OF CRUDE OIL, MADE NO APPRECIABLE EFFORTS TO BRING GALLOPING INFLATION IN THEIR COUNTRIES UNDER CONTROL SO AS TO MATCH UP THE SACRIFICE WHICH OPEC MEMBER STATES HAVE BORNE AS A RESULT OF THE PRICE FREEZE. THE ECONOMIC CRISIS, HOWEVER, HAS COMPLETELY DISAPPEARED IN MOST COUNTRIES OF THE WEST PARTICULARLY IN THE UNITED STATES AND JAPAN. ECONOMIC IMPROVEMENT IS EXPECTED TO SOAR TO A VERY HIGH DEGREE. ALREADY, THERE IS AN IMPORTANT ECONOMIC REVIVAL IN MOST EUROPEAN COUNTRIES. AS A MATTER OF FACT, 1976 IS LIKELY TO BE A BOOM YEAR FOR WESTERN ECONOMIES TO A DEGREE PERHAPS SURPASSING THE PERIODS OF PROSPERITY THAT CAME IN THE SIXTIES. THIS BEING SO, THERE SHOULD BE NO LONGER ANY JUSTIFICATION FOR KEEPING THE PRICES OF CRUDE OIL AT THEIR PRESENT LEVEL. AS SHOWN BY CAREFUL STUDIES BY COMPETENT QUARTERS IN THE OPEC MEMBER-STATES AND BY TECHNICAL COMMITTEES, THE INFLATION IMPORTED FROM THE INDUSTRIAL COUNTRIES ROSE BY MORE THEN 15 PERCENT IN THE MEMBER-STATES OF OPEC DURING THE PERIOD FROM OCTOBER 1 LAST TO THE END OF JUNE NEXT. FROM THIS IT FOLLOWS THAT AFTER THE END OF JUNE THERE SHOULD BE AN INCREASE IN OIL PRICES NOT BELOW THE ABOVE MENTIONED RATE AS AN ABSOLUTE MINIMUM FOR A GIVEN PERIOD IN THE COURSE OF WHICH WATCH IS TO BE KEPT ON THE DEVELOPEMENT OF INFLATIONARY TRENDS THE WORLD OVER. THERE ARE SOME WHO ARGUE THAT THE RAISING OF OIL PRICES BY HIGH RATES MIGHT LEAD TO A DROP IN PRODUCTION. SEVERAL FACTS NEED BE MENTIONED IN THIS RESPECT: (1) AN ECONOMIC BOOM IS THE CONSUMING COUNTRIES IS BY ITSELF A FACTOR CONTRIBUTING TO A NOTICEABLE INCREASE IN THE DEMAND ON CRUDE OIL. THE RISING PRICES CAN THUS AFFECT THE INCREASING DEMAND ON OIL ONLY TO A MINIMAL DEGREE. (2) MORE IMPORTANT THAN THIS AS FAR AS THE OIL EXPORTING COUNTRIES ARE CONCERNED-OIL BEING AN EXHAUSTIBLE AND UNRENEWABLE COMMODITY-IS TO RECEIVE OPTIMUM ECONOMIC DIVIDENDS FROM THIS COMMODITY. IN THIS CASE, AN INCREASE IN THE PRICE RATES TO OFFSET THE INFLATIONARY TRENDS, SHOULD BE CONSIDERED

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A MINIMUM GUARANTEE FOR SECURING SUCH DIVIDENDS. (3) SOME MIGHT ARGUE THAT IS IS BY NO MEANS EASY TO FIND JUSTIFICATIONS FOR AN INCREASE IN THE PRICES OF OIL BY REASON OF THE PRESENT SURPLUS PRODUCTION IN THE MEMBER STATES OF OPEC AND A SLUMP IN INTERNATIONAL DEMAND ON OIL. BUT THE FACT IS THAT SUCH REASONING CANNOT APPLY TO THE OIL INDUSTRY. IN EXPLOITING EXHAUSTIBLE RESOURCES, SUCH AS CRUDE OIL, WHAT MATTERS IS TO WORK OUT MEANINGFUL PRODUCTION PROGRAMS FOR SAFEGUARDING THE

INTERESTS OF THE PEOPLES OF THE PRODUCING COUNTRIES THROUGH
REALIZING OPTII ECONOMIC LEVELS SIDE BY SIDE WITH SETTING
PRODUCTION AT RATES PRESERVING A MARKET BALANCE. (4) IT IS TO BE
NOTED THAT SOME OF THE OIL EXPORTING COUNTRIES ARE PRODUCING OIL
AT RATES FAR HIGHER THAN WARRANTED BY ANY IMMEDIATE NEED FOR
SPENDING, TAKING INTO ACCOUNT THE SPENDING ABILITY ON ECONOMIC
DEVELOPEMENT. SUCH COUNTRIES MIGHT WELL CURTAIL PRODUCTION IN
THE INTERST OF PRESERVING THIS WEALTH FOR FUTURE GENERATIONS
AND FOR OFFSETTING ANY DECLINE IN THE DEMAND ON CRUDE OIL.
AS SHOWN ABOVE, IT CAN GENERALLY BE ASSUMED THAT A RISE IN THE
OIL PRICES IS NOT GOING TO MAKE ANY TELLING EFFECT ON THE INCREASING
RATE OF DEMAND. THE REASON FOR THIS IS THE CURRENT GENERAL
IMPROVEMENT IN ECONOMIC CONDITIONS WHICH NATURALLY REQUIRES MORE
CRUDE OIL TO CONSUME. THERE ARE, HOWEVER, PRESSURE GROUPS
EMANATING FROM THE INTERNATIONAL ENERGY AGENCY AND THE LARGE
COOPERATIONS WHICH ARE AFTER (SIC) DISINTEGRATING THE UNITY
OF OPEC BY PURSUING DISCRIMINATORY POLICIES AGAINST CERTAIN
COUNTRIES. FACING UP TO SUCH PRESSURES CAN BE ACHIEVED NOT BY
FREESING THE PRICES OF CRUDE OIL IN THE FACE OF CONSTANT DETER-
IORATION OF THE PURCHASING POWER OF THE OIL EXPORTING COUNTRIES
BUT RATHER BY ADOPTING A UNIFIED PROGRAM FOR COORDINATING PRODUCTION
IN THE MEMBER STATES IN SUCH A MANNER AS TAKES ACCOUNT OF THE NEEDS
OF EACH OF THE INDIVIDUAL MEMBER STATES AND VLOCK THE ROAD
IN THE FACE OF THE DISCRIMINATORY POLICIES AND PRESSURES PRAC-
TICED BYT THE INTERNATIONAL ENERGY AGENCY. THE PROGRAMISING
OF PRODUCTION IN A WAY ANSWERING TO THE URGENT NEEDS OF THE
MEMBER STATES OF OPEC PROVIDES THE BEST WAY FOR FACING UP TO
THE FACTORS AFFECTING THE INTERNATIONAL TRADE OF CRUDE OIL.
END QUOTE.

3. REQUEST DEPARTMENT PASS TO OTHER OPEC CAPITALS AND
INTERESTED WASHINGTON AGENCIES.

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